



SPRING GALLERY BERHAD (504718-U)
QUARTERLY REPORT FOR THE 4TH QUARTER ENDED 30 JUNE 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER ENDED	PRECEDING YEAR CORRESPONDING QUARTER ENDED	CURRENT YEAR- TO-DATE ENDED	PRECEDING YEAR CORRESPONDING PERIOD ENDED
	30.6.2017	30.6.2016	30.6.2017	30.6.2016
	UNAUDITED RM'000	UNAUDITED RM'000	UNAUDITED RM'000	AUDITED RM'000
Revenue	2,511	5,237	13,844	27,605
Cost of sales	(1,995)	(5,826)	(10,087)	(21,287)
Gross profit/(loss)	516	(589)	3,757	6,318
Other income	1,246	1,433	2,289	1,810
Operating expenses	(2,255)	(2,900)	(8,091)	(8,289)
Other operating expenses	(4,528)	(1,373)	(4,737)	(1,611)
Finance costs	(5)	11	(22)	(31)
Loss before taxation	(5,026)	(3,418)	(6,804)	(1,803)
Taxation	-	678	(124)	(118)
Loss after taxation	(5,026)	(2,740)	(6,928)	(1,921)
Other comprehensive income/(expenses) net of tax:				
- Foreign currency translation	9	(2)	(26)	6
Total comprehensive expenses	(5,017)	(2,742)	(6,954)	(1,915)
Loss after taxation attributable to:-				
Owners of the Company	(5,026)	(2,740)	(6,928)	(1,921)
Total comprehensive expenses attributable to:-				
Owners of the Company	(5,017)	(2,742)	(6,954)	(1,915)
Loss per share attributable to Owners of the Company (sen):				
Basic	(3.45)	(2.38)	(5.00)	(1.79)
Diluted	(3.45)	(2.38)	(5.00)	(1.79)

(The Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements.)



SPRING GALLERY BERHAD (504718-U)
QUARTERLY REPORT FOR THE 4TH QUARTER ENDED 30 JUNE 2017

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION		
	AS AT 30.6.2017 UNAUDITED RM'000	AS AT 30.6.2016 AUDITED RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	21,173	22,066
Investment properties	800	1,655
	<u>21,973</u>	<u>23,721</u>
Current assets		
Inventories	972	907
Trade and other receivables	40,714	18,136
Current tax assets	572	309
Deposits with licensed banks	14,338	27,426
Cash and bank balances	18,086	14,386
	<u>74,682</u>	<u>61,164</u>
TOTAL ASSETS	<u>96,655</u>	<u>84,885</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	57,744	88,850
Share premium	21,980	18,002
Warrants reserve	1,146	1,146
Foreign exchange translation reserve	197	223
Retained profits/(Accumulated losses)	6,811	(31,021)
Total equity	<u>87,878</u>	<u>77,200</u>
Non-current liabilities		
Hire purchase payables	192	348
Deferred tax liabilities	2,357	2,449
	<u>2,549</u>	<u>2,797</u>
Current liabilities		
Trade and other payables	5,274	4,081
Amount owing to contract customers	798	569
Current tax liabilities	-	76
Hire purchase payables	156	162
	<u>6,228</u>	<u>4,888</u>
Total liabilities	<u>8,777</u>	<u>7,685</u>
TOTAL EQUITY AND LIABILITIES	<u>96,655</u>	<u>84,885</u>
Net assets per ordinary share (sen)	54.45	59.97

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements.)



SPRING GALLERY BERHAD (504718-U)
QUARTERLY REPORT FOR THE 4TH QUARTER ENDED 30 JUNE 2017

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY							
	← Non-Distributable →				Distributable		
	← Share capital →						
	Ordinary Shares	Irredeemable Convertible Preference Shares	Share Premium	Warrants Reserve	Foreign Exchange Translation Reserve	Retained Profits/ (Accumulated Losses)	Total Equity/ Attributable to Owners of the Company
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 1.7.2016	64,369	24,481	18,002	1,146	223	(31,021)	77,200
Issuance of shares pursuant to conversion of irredeemable convertible preference shares ("ICPS")	14,507	(853)	3,978	-	-	-	17,632
Par value reduction	(32,557)	(12,203)	-	-	-	44,760	-
Total transactions with Owners of the Company	(18,050)	(13,056)	3,978	-	-	44,760	17,632
Loss after taxation for the financial period	-	-	-	-	-	(6,928)	(6,928)
Other comprehensive expenses for the financial period, net of tax	-	-	-	-	(26)	-	(26)
Total comprehensive expenses for the financial period	-	-	-	-	(26)	(6,928)	(6,954)
Balance at 30.6.2017	46,319	11,425	21,980	1,146	197	6,811	87,878



SPRING GALLERY BERHAD (504718-U)
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	CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)						Distributable	
	Non-Distributable							
	Share capital							
	Ordinary Shares	Irredeemable Convertible Preference Shares	Share Premium	Warrant Reserve	Foreign Exchange Translation Reserve	Accumulated Losses	Total Equity/ Attributable to Owners of the Company	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Balance at 1.7.2015	52,250	-	12,500	-	217	(29,100)	35,867	
Rights issue of irredeemable convertible preference shares ("ICPS") with warrants	-	26,125	4,075	1,150	-	-	31,350	
Expenses incurred in relation to rights issue of ICPS with warrants	-	-	(672)	-	-	-	(672)	
Issuance of shares pursuant to conversion of ICPS	12,046	(1,644)	2,081	-	-	-	12,483	
Issuance of shares pursuant to conversion of warrants	73	-	18	(4)	-	-	87	
Total transactions with Owners of the Company	12,119	24,481	5,502	1,146	-	-	43,248	
Loss after taxation for the financial period	-	-	-	-	-	(1,921)	(1,921)	
Other comprehensive income for the financial period, net of tax	-	-	-	-	6	-	6	
Total comprehensive income/ (expenses) for the financial period	-	-	-	-	6	(1,921)	(1,915)	
Balance at 30.6.2016	64,369	24,481	18,002	1,146	223	(31,021)	77,200	

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements.)



SPRING GALLERY BERHAD (504718-U)
QUARTERLY REPORT FOR THE 4TH QUARTER ENDED 30 JUNE 2017

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	CURRENT PERIOD-TO-DATE ENDED 30.6.2017 <hr/> UNAUDITED RM'000	PRECEDING YEAR CORRESPONDING PERIOD ENDED 30.6.2016 <hr/> AUDITED RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Loss before taxation	(6,804)	(1,803)
Adjustments for:-		
Bad debts written off	-	3
Deposit written off	6	1
Depreciation of investment properties	42	-
Depreciation of property, plant and equipment	989	983
Impairment losses on other receivables	27	124
Impairment losses on investment properties	-	1,260
Interest expense	22	31
Inventories written down	87	-
Inventories written off	-	217
Property, plant and equipment written off	1,020	- *
Waiver of debts owing by a contract customer	2,194	-
Unrealised gain on foreign exchange	(230)	(47)
Gain on disposal of plant and equipment	(12)	(17)
Interest income	(523)	(181)
Reversal of inventories written down	(59)	(1,151)
Waiver of debts owing to payables	(15)	(41)
Operating loss before working capital changes	<hr/> (3,256)	<hr/> (621)
Net change in inventories	(93)	1,636
Net change in trade and other receivables	(24,542)	(13,455)
Net change in trade and other payables	1,149	400
Net change in related parties	-	7
Net change in amount owing to contract customers	229	569
Cash flows for operations	<hr/> (26,513)	<hr/> (11,464)
Interest paid	(22)	(31)
Income tax paid	(555)	(520)
Net cash for operating activities	<hr/> (27,090)	<hr/> (12,015)
CASH FLOWS FOR INVESTING ACTIVITIES		
Interest received	523	77
Purchase of plant and equipment	(320)	(1,012)
Proceeds from disposal of plant and equipment	29	18
Placement of fixed deposits	(281)	(42)
Net cash for investing activities	(49)	(959)



SPRING GALLERY BERHAD (504718-U)
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (CONT'D)

	CURRENT PERIOD-TO-DATE ENDED 30.6.2017 UNAUDITED RM'000	PRECEDING YEAR CORRESPONDING PERIOD ENDED 30.6.2016 AUDITED RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of hire purchase payables	(162)	(153)
Proceeds from rights issue of ICPS with warrants, net of expenses	-	30,678
Proceeds from issuance of shares pursuant to conversion of ICPS	17,632	12,483
Proceeds from issuance of shares pursuant to conversion of warrants	-	87
Net cash from financing activities	17,470	43,095
Net changes in cash and cash equivalents	(9,669)	30,121
Cash and cash equivalents at beginning of period	40,262	10,141
Effect of foreign exchange translation	-	-
Cash and cash equivalents at end of period	30,593	40,262
Cash and cash equivalents at end of financial period comprised:-		
Cash and bank balances	18,086	14,386
Deposits with licensed banks	14,338	27,426
	32,424	41,812
Less: Deposits pledged with licensed banks	(1,831)	(1,550)
	30,593	40,262

Note:-

* - Amount less than RM1,000

(The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Audited Financial Statements for the financial year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements.)



**SPRING GALLERY BERHAD (504718-U) (“SGB” OR “THE COMPANY”)
QUARTERLY REPORT FOR THE 4TH QUARTER ENDED 30 JUNE 2017**

**PART A - DISCLOSURE NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING
STANDARD 134 AND INTERNATIONAL ACCOUNTING STANDARD 34**

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with Malaysian Financial Reporting Standard 134: *Interim Financial Reporting* (“MFRS 134”), International Accounting Standard 34: *Interim Financial Reporting* (“IAS 34”) and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements of the Group as at and for the financial year ended 30 June 2016. The explanatory notes attached to the condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2016.

2. CHANGES IN ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted are consistent with those of the audited financial statements for the financial year ended 30 June 2016, except for the adoption of the following new Malaysian Financial Reporting Standards (“MFRSs”), Amendments to MFRSs and IC Interpretation with effect from 1 July 2016.

The Group has not applied in advance the following accounting standards (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial period:-

MFRSs (Including The Consequential Amendments)	Effective Date
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice
Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018
Amendments to MFRS 15: Clarifications to MFRS 15 ‘Revenue from Contracts with Customers’	1 January 2018
Amendments to MFRS 107: Disclosure Initiative	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017



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2. CHANGES IN ACCOUNTING POLICIES (CONT'D)

The adoption of the above accounting standards (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application, except as follows:-

MFRS 9 (IFRS 9 issued by IASB in July 2015) replaces the existing guidance in MFRS 139 and introduces a revised guidance on the classification and measurement of financial instruments, including a single forward-looking ‘expected loss’ impairment model for calculating impairment on financial assets, and a new approach to hedge accounting. Under this MFRS 9, the classification of financial assets is driven by cash flow characteristics and the business model in which a financial asset is held. Therefore, it is expected that the Group’s investments in unquoted shares that are currently stated at cost less accumulated impairment losses will be measured at fair value through other comprehensive income upon the adoption of MFRS 9. The Group is currently assessing the financial impact of adopting MFRS 9.

MFRS 15 establishes a single comprehensive model for revenue recognition and will supersede the current revenue recognition guidance and other related interpretations when it becomes effective. Under MFRS 15, an entity shall recognise revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the distinct promised goods or services underlying the particular performance obligation is transferred to the customers. The amendments to MFRS 15 further clarify the concept of ‘distinct’ for the purposes of this accounting standard. In addition, extensive disclosures are required by MFRS 15. The Group anticipates that the application of MFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the financial statements. However, it is not practicable to provide a reasonable estimate of the financial impacts of MFRS 15 until the Group performs a detailed review.

3. AUDITORS’ REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors’ report on the audited financial statements for the financial year ended 30 June 2016 was not qualified.

4. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

The ceramic segment of the Group is cyclical in nature as it is affected by the seasonal pattern of the importing countries.

5. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no items affecting assets, liabilities, equity, net income or cash flows during the current financial period under review that were unusual because of their nature, size or incidence.



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**6. CHANGE IN ESTIMATES OF AMOUNTS REPORTED IN PRIOR INTERIM PERIODS
OF THE CURRENT FINANCIAL PERIOD OR IN PRIOR FINANCIAL YEARS**

There were no significant changes in estimates of amounts reported in prior interim periods or prior financial period that have a material effect in the current financial period under review.

7. DEBT AND EQUITY SECURITIES

Total of 32,651,900 ordinary shares (“SGB Shares”) have been issued and listed on the following dates pursuant to the conversion of 32,651,900 ICPS to 32,651,900 SGB Shares by conversion of 1 ICPS and payment of RM0.54 in cash for 1 new SGB Share.

Listing Date	No. of ICPS	No. of SGB Shares
29.7.2016	150,000	150,000
2.8.2016	205,000	205,000
8.8.2016	500,000	500,000
10.8.2016	615,000	615,000
16.8.2016	20,000	20,000
2.12.2016	4,800,000	4,800,000
6.12.2016	1,200,000	1,200,000
23.12.2016	3,300,000	3,300,000
28.12.2016	3,200,000	3,200,000
20.1.2017	1,600,000	1,600,000
16.2.2017	110,000	110,000
23.2.2017	1,416,000	1,416,000
1.3.2017	300,000	300,000
3.5.2017	60,000	60,000
18.5.2017	100,000	100,000
26.5.2017	175,000	175,000
1.6.2017	185,000	185,000
6.6.2017	800,000	800,000
30.6.2017	13,915,900	13,915,900
Total	32,651,900	32,651,900

Save for the above, there were no issuances, cancellations, repurchase, resale and repayment of debt and equity securities since the last annual reporting date.



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8. DIVIDENDS

No dividend was paid during the current financial period under review.

9. SEGMENTAL INFORMATION

The Group has four main business segments as follows:-

Ceramic segment - involved in the retail, trading, manufacturing, exporting and marketing of pottery, porcelain products and ceramics wares and ornaments.

Construction segment - involved in property construction and related businesses.

Property investment segment - involved in property investment.

Property development segment - involved in property development and other related services.

The Group operates principally in Malaysia.



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9. SEGMENTAL INFORMATION (CONT'D)

Segmental information is provided based on business segments, as follows:

	<u>Investment</u> <u>Holding</u> RM'000	<u>Ceramic</u> RM'000	<u>Construction</u> RM'000	<u>Property</u> <u>Investment</u> RM'000	<u>Property</u> <u>Development</u> RM'000	<u>The Group</u> RM'000
Current year quarter ended 30.6.2017						
External revenue	-	2,511	-	-	-	2,511
Results						
Results before following adjustments	(533)	615	(258)	(11)	(1,494)	(1,681)
Interest income	113	4	-	-	-	117
Reversal of inventories written down	-	13	-	-	-	13
Waiver of debts owing by a contract customer	-	-	(2,194)	-	-	(2,194)
Waiver of debts owing to payables	-	7	-	-	-	7
Loss on disposal of plant and equipment	-	(3)	-	-	-	(3)
Realised loss on foreign exchange	-	(33)	-	-	-	(33)
Unrealised loss on foreign exchange	-	(57)	-	-	-	(57)
Deposit written off	-	(5)	-	-	-	(5)
Depreciation of investment properties	-	-	-	(11)	-	(11)
Depreciation of property, plant and equipment	(4)	(242)	(1)	-	-	(247)
Impairment losses on other receivables	-	(27)	-	-	-	(27)
Inventories written down	-	(87)	-	-	-	(87)
Property, plant and equipment written off	-	-	-	(813)	-	(813)
Segment results	(424)	185	(2,453)	(835)	(1,494)	(5,021)
Finance costs						(5)
Taxation						-
Loss after taxation						<u>(5,026)</u>



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9. SEGMENTAL INFORMATION (CONT'D)

	<u>Investment Holding</u> RM'000	<u>Ceramic</u> RM'000	<u>Construction</u> RM'000	<u>Property Investment</u> RM'000	<u>Property Development</u> RM'000	<u>The Group</u> RM'000
Current year-to-date ended 30.6.2017						
External revenue	-	7,441	6,403	-		13,844
Results						
Results before following adjustments	(1,826)	(413)	429	(85)	(1,494)	(3,389)
Interest income	467	56	-	-	-	523
Gain on disposal of plant and equipment	-	12	-	-	-	12
Reversal of inventories written down	-	59	-	-	-	59
Realised gain on foreign exchange	-	133	-	-	-	133
Unrealised gain on foreign exchange	-	230	-	-	-	230
Waiver of debts owing by a contract customer	-	-	(2,194)	-	-	(2,194)
Waiver of debts owing to payables	8	7	-	-	-	15
Bad debts written off	-	-	-	-	-	-
Deposit written off	(1)	(5)	-	-	-	(6)
Depreciation of investment properties	-	-	-	(42)	-	(42)
Depreciation of property, plant and equipment	(37)	(951)	(1)	-	-	(989)
Impairment losses on other receivables	-	(27)	-	-	-	(27)
Inventories written down	-	(87)	-	-	-	(87)
Property, plant and equipment written off	(207)	-	-	(813)	-	(1,020)
Segment results	<u>(1,596)</u>	<u>(986)</u>	<u>(1,766)</u>	<u>(940)</u>	<u>(1,494)</u>	<u>(6,782)</u>
Finance costs						(22)
Taxation						<u>(124)</u>
Loss after taxation						<u><u>(6,928)</u></u>



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9. SEGMENTAL INFORMATION (CONT'D)

	<u>Investment Holding</u>	<u>Ceramic</u>	<u>Construction</u>	<u>Property Investment</u>	<u>Property Development</u>	<u>The Group</u>
30.6.2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets						
Segment assets	27,034	31,801	23,686	11,485	2,077	96,083
Unallocated assets						572
Consolidated total assets						<u>96,655</u>
Liabilities						
Segment liabilities	446	2,892	2,566	512	4	6,420
Unallocated liabilities						2,357
Consolidated total liabilities						<u>8,777</u>



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9. SEGMENTAL INFORMATION (CONT'D)

	<u>Investment</u> <u>Holding</u> RM'000	<u>Ceramic</u> RM'000	<u>Construction</u> RM'000	<u>The Group</u> RM'000
Preceding year corresponding quarter ended 30.6.2016				
External revenue	-	2,645	2,592	5,237
Results				
Results before following adjustments	(300)	(2,965)	88	(3,177)
Interest income	126	5	-	131
Reversal of inventories written down	-	1,125	-	1,125
Realised gain on foreign exchange	-	54	-	54
Unrealised gain on foreign exchange	-	282	-	282
Waiver of debts	-	41	-	41
Bad debts written off	-	(3)	-	(3)
Deposit written off	-	(1)	-	(1)
Depreciation of property, plant and equipment	(14)	(266)	-	(280)
Impairment losses on receivables	-	(124)	-	(124)
Impairment losses on investment properties	(1,260)	-	-	(1,260)
Inventories written down	-	(217)	-	(217)
Plant and equipment written off	-	-	*	-
Segment results	<u>(1,448)</u>	<u>(2,069)</u>	88	<u>(3,429)</u>
Finance costs				11
Taxation				678
Loss after taxation				<u><u>(2,740)</u></u>

Note:-

* - Amount less than RM1,000



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9. SEGMENTAL INFORMATION (CONT'D)

	<u>Investment</u>			
	<u>Holding</u>	<u>Ceramic</u>	<u>Construction</u>	<u>The Group</u>
	RM'000	RM'000	RM'000	RM'000
Preceding year corresponding period ended 30.6.2016				
External revenue	-	15,524	12,081	27,605
Results				
Results before following adjustments	(891)	(932)	935	(888)
Interest income	126	55	-	181
Gain on disposal of plant and equipment	-	17	-	17
Reversal of inventories written down	-	1,151	-	1,151
Realised gain on foreign exchange	-	267	-	267
Unrealised gain on foreign exchange	-	47	-	47
Waiver of debts	-	41	-	41
Bad debts written off	-	(3)	-	(3)
Deposit written off	-	(1)	-	(1)
Depreciation of property, plant and equipment	(38)	(944)	(1)	(983)
Impairment losses on trade and other receivable	-	(124)	-	(124)
Impairment losses on investment properties	(1,260)	-	-	(1,260)
Inventories written off	-	(217)	-	(217)
Plant and equipment written off	-	-	*	-
Segment results	<u>(2,063)</u>	<u>(643)</u>	934	<u>(1,772)</u>
Finance costs				(31)
Taxation				<u>(118)</u>
Loss after taxation				<u><u>(1,921)</u></u>

Note:-

* - Amount less than RM1,000



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9. SEGMENTAL INFORMATION (CONT'D)

30.6.2016	<u>Investment Holding</u>	<u>Ceramic</u>	<u>Construction</u>	<u>The Group</u>
	RM'000	RM'000	RM'000	RM'000
Assets				
Segment assets	33,319	32,606	18,651	84,576
Unallocated assets				309
Consolidated total assets				84,885
Liabilities				
Segment liabilities	414	2,475	2,271	5,160
Unallocated liabilities				2,525
Consolidated total liabilities				7,685

Geographical Information for Revenue

	Current year quarter ended 30.6.2017	Current year-to- date ended 30.6.2017
	RM'000	RM'000
United States	-	88
Europe	3	408
Malaysia	2,365	13,187
Others	143	161
	2,511	13,844



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10. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE INTERIM PERIOD

Save for the following and those disclosed in Note 22, there were no material events subsequent to the end of the current quarter up to 28 August 2017, being the last practicable date from the date of the issue of this report (“LPD”) that are expected to have an operational or financial impact on the Group.

- i) On 4 July 2017, Million Rich Development Sdn Bhd (“MRDSB”), a wholly-owned subsidiary of SGB, had entered into a Concept Masterplan Agreement (“CMPA”) with Arena Progresif Sdn Bhd whereby MRDSB be given the rights to carry out and complete the concept masterplan on those pieces of land held under HS(D) 81002 PT 178 and HS(D) 81003 PT 179 all of Pekan Klebang Sek. II, Daerah Melaka Tengah, Negeri Melaka with a total land area of approximately 76,386 square meters.
- ii) On 18 April 2016, Profit Sunland Sdn Bhd (“PSSB”), a wholly-owned subsidiary of SGB, had entered into a Managing Contractor Agreement (“MCA”) with Prinsip Nusantara Sdn Bhd (“PNSB”) in which PSSB has been appointed as a managing contractor for the development of all that piece of land held under PTD 27883, Mukim of Pulau, District of Johor Bahru, State of Johor, measuring approximately 6.02 acres.

Further thereto, PSSB had on 5 July 2017 entered into a deed of mutual rescission and revocation with PNSB and both parties have mutually agreed to rescind and revoke the MCA.

- iii) On 18 January 2017, MRDSB had entered into the Joint Venture Agreement (“JVA”) with Hasil Senudong Sdn Bhd (“HSSB”) to undertake a residential development project (“the Project”) on a leasehold land held under HSD 217021, PT 254105, Mukim of Hulu Kinta, District of Kinta, State of Perak measuring approximately 3.3 hectares with its leasehold tenure expiring on 14 November 2112 (“Development Land”).

Under the JVA, MRDSB and HSSB have agreed to enter into a joint venture to undertake the Project whereby HSSB will contribute the Development Land and MRDSB will contribute and bear the entire cost and expense of developing the Development Land in accordance with the relevant approvals and the layout and building plans as well as apply for and obtain the relevant approvals and licenses from the relevant authorities in connection with the Project. HSSB will apply for and obtain the relevant conversion of the category of land usage of the Development Land (“Conversion”) within 6 months from the date of the JVA.

Pursuant thereto, MRDSB had on 18 July 2017 terminated the JVA on the expiry of the agreed deadline pursuant to the JVA as HSSB failed to obtain approval for the Conversion within 6 months from the date of the JVA.



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**10. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE INTERIM PERIOD
(CONT'D)**

- iv) On 27 July 2017, MRDSB had entered into a CMPA with Titanium Hallmark Sdn Bhd whereby MRDSB be given the rights to carry out and complete the concept masterplan on those pieces of land held under HS(D) 80993 PT 160, HS(D) 81000 PT 167, HS(D) 81001 PT 168, HS(D) 80984 PT 169, HS(D) 80985 PT 170, HS(D) 80982 PT 176 and HS(D) 80983 PT 177 all of Pekan Klebang Sek. III, Daerah Melaka Tengah, Negeri Melaka with a total land area of approximately 216,427 square meters.
- v) On 3 August 2017, SGB had entered into a Share Sale Agreement with Annathan A/L Sinivesan and Nurul Shahiza Binti Muhammad Adib in relation to the proposed acquisition of 100,000 ordinary shares in Klasik Ikhtiar Sdn Bhd (Company No.: 924934-V) (“KISB”), which represents 100% of the issued and paid-up share capital of KISB for a purchase consideration of RM3,500,000.00. The purchase consideration is to be satisfied entirely via cash. Upon the completion of the proposed acquisition, KISB will become a wholly-owned subsidiary of SGB.
- vi) On 18 August 2017, SGB had entered into five (5) separate sale and purchase agreements with four (4) separate vendors for the acquisition of five (5) properties in Mukim Ceras, Daerah Hulu Langat, Negeri Selangor on five (5) parcels of freehold land for a total cash consideration of RM8,250,000.00. The properties are intended to be held for business use and the acquisition is viewed positively for SGB Group to set up corporate, sales and operations office in the same location for better management purpose and increases the business operation efficiency.
- vii) On 21 August 2017, SGB had entered into a Share Sale Agreement with Liew Boon Kiat and Fan Shue King in relation to the proposed acquisition of 2,000,000 ordinary shares in KTG Marine (M) Sdn Bhd (Company No.: 956430-V) (“KTG”), which represents 100% of the issued and paid-up share capital of KTG for a purchase consideration of RM2,200,000.00. The purchase consideration is to be satisfied entirely via cash. Upon the completion of the proposed acquisition, KTG will become a wholly-owned subsidiary of SGB.



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**10. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE INTERIM PERIOD
(CONT'D)**

- viii) On 9 July 2015, PSSB had entered into a MCA with JV Muhibbah Sdn Bhd (“JVM”) in which PSSB has been appointed as a Managing Contractor for the development of a piece of land held under Lot 13551, PN7386, Mukim Cukai, Daerah Kemaman, Terengganu, measuring approximately 3.82 acres into an eighteen (18)-storey apartment located at Jalan Jakar, Kemaman, Terengganu.

Further thereto, PSSB had on 12 November 2015 entered into a second MCA with JVM in which PSSB has been appointed as a Managing Contractor for the development of a piece of land held under Lot 13550, PN7385, Mukim Cukai, Daerah Kemaman, Terengganu, measuring approximately 31,850 square meters into:-

- (a) a three (3)-storey shopping complex with two (2)-floor sub-basement parking (consists of six hundred fifty (650) parking lots), totaling 5 floors; and
- (b) a twelve (12)-storey hotel building with two hundred forty (240) rooms on the shopping complex.

Further thereto, PSSB had on 25 August 2017 entered into two deeds of mutual rescission and revocation with JVM and both parties have mutually agreed to rescind and revoke the two MCAs.

11. CHANGES IN COMPOSITION OF THE GROUP

- (i) On 21 September 2016, the Company acquired two (2) ordinary shares, representing 100% of the total issued and paid-up share capital of Instant Initiative Sdn Bhd (“IISB”) for a total consideration of RM2.00. IISB was incorporated on 6 May 2016.

On 11 October 2016, the Company additionally subscribed for 999,998 new issued ordinary shares of RM1.00 each in IISB for a cash consideration of RM999,998 to retain its 100% equity interest. IISB is presently engaged in the business of property investment.

- (ii) On 15 November 2016, the Company acquired two (2) ordinary shares, representing 100% of the total issued and paid-up share capital of MRDSB for a total consideration of RM2.00. MRDSB was incorporated on 31 October 2016.

On 18 July 2017, the Company additionally subscribed for 99,998 new issued ordinary shares of RM1.00 each in MRDSB for a cash consideration of RM99,998 to retain its 100% equity interest. MRDSB is presently engaged in the businesses of property development and other related services.



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12. CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no material changes in contingent liabilities since the last annual reporting date and there were no contingent assets since the last annual reporting date.

13. CAPITAL COMMITMENTS

Capital commitments as at LPD are as follows:-

	As at LPD RM'000
Approved and contracted for:-	
Acquisition of Kolej Poly-Tech Mara Campus	9,500
Acquisition of KISB	2,000
Acquisition of properties	6,600
Acquisition of KTG	1,980
Deposits pursuant to the CMPA	16,773
	<hr/>
	36,853
	<hr/>

14. RELATED PARTY TRANSACTIONS

There were no related party transactions during the current financial period under review.

**15. CHANGES IN FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES,
TRANSFERS AND CLASSIFICATIONS**

There have been no significant changes in the business or economic circumstances that affect the fair value of the Group’s financial assets and financial liabilities in the current financial period under review.



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16. FAIR VALUE OF FINANCIAL INSTRUMENTS

Other than those disclosed below, the fair values of the financial assets and financial liabilities maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments. The fair values are determined by discounting rates equal to the current market interest rate plus appropriate credit rating, where necessary.

	Fair Value Of Financial Instruments Carried At Fair Value			Fair Value Of Financial Instruments Not Carried At Fair Value			Total Fair Value RM'000	Carrying Amount RM'000
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
30.6.2017								
<u>Financial Liability</u>								
Hire purchase payables (Non- current)	-	-	-	-	192	-	192	192
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The fair values above are for disclosure purposes and have been determined by the relevant cash flows using interest rates for similar instruments ranging from 4.61% to 6.76% (30.6.2016 - 4.61% to 6.76%) per annum at the end of the reporting period.



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17. REVIEW OF GROUP PERFORMANCE

	Individual Quarter		Cumulative Period	
	30.6.2017 RM'000	30.6.2016 RM'000	30.6.2017 RM'000	30.6.2016 RM'000
Revenue				
- Investment holding	-	-	-	-
- Ceramic	2,511	2,645	7,441	15,524
- Construction	-	2,592	6,403	12,081
- Property investment	-	-	-	-
- Property development	-	-	-	-
	2,511	5,237	13,844	27,605
(Loss)/Profit before taxation				
- Investment holding	(424)	(1,448)	(1,596)	(2,063)
- Ceramic	180	(2,076)	(1,008)	(674)
- Construction	(2,453)	106	(1,766)	934
- Property investment	(835)	-	(940)	-
- Property development	(1,494)	-	(1,494)	-
	(5,026)	(3,418)	(6,804)	(1,803)

The Group's revenue in the current quarter decreased by RM2.73 million as compared to the corresponding quarter ended 30.6.2016. The decrease was due to no revenue derived from the construction segment in the current quarter as compared to the corresponding quarter ended 30.6.2016, as a result of the delays in the existing construction projects in Johor and Kemaman. The construction projects in Johor and Kemaman were terminated subsequent to the end of the current quarter ended 30.6.2016. The revenue from ceramic segment decreased slightly by RM0.13 million as compared to the corresponding quarter ended 30.6.2016 mainly due to the decrease in orders from major customers.

For the cumulative period under review, the revenue decreased by RM13.76 million as compared to the corresponding period ended 30.6.2016. The decrease was mainly due to the decrease in revenue derived from ceramic segment. The revenue from ceramic segment decreased by RM8.08 million, representing a decrease of 52% as compared to the corresponding period ended 30.6.2016, as a result of orders from major customers being lost to competitors in the current cumulative period. Meanwhile the revenue from the existing construction projects in Johor and Kemaman decreased by RM5.68 million as compared to the corresponding period ended 30.6.2016, as a result of lower percentage of completion in the current cumulative period.



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17. REVIEW OF GROUP PERFORMANCE (CONT'D)

For the current quarter under review, the Group’s loss before taxation increased by RM1.61 million, representing an increase of 47% as compared to the corresponding quarter ended 30.6.2016. The higher loss was mainly due to loss before taxation of RM2.45 million recorded in construction segment, as a result of the waiver of debts owing by a contract customer amounting to RM2.19 million in the current quarter. Meanwhile, the loss in property development segment was mainly due to the professional fee of RM1.40 million incurred for the concept masterplan project in Melaka in the current quarter and the loss in property investment segment was mainly due to the written-off of assets amounting to RM0.81 million in the current quarter.

For the current cumulative period under review, the Group’s loss before taxation increased by RM5.00 million, representing an increase of 277% as compared to the corresponding period ended 30.6.2016. The higher loss was mainly due to loss before taxation of RM1.77 million recorded in construction segment, as a result of the waiver of debts owing by a contract customer amounting to RM2.19 million in the current cumulative period. Meanwhile, the loss in property development segment was mainly due to the professional fee of RM1.40 million incurred for the concept masterplan project in Melaka in the current cumulative period and the loss in property investment segment was mainly due to the written-off of assets amounting to RM0.81 million in the current cumulative period.



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18. MATERIAL CHANGE IN PERFORMANCE AS COMPARED TO PRECEEDING QUARTER

	Current quarter ended 30.6.2017 RM'000	Immediate preceding quarter ended 31.3.2017 RM'000
Revenue		
- Investment holding	-	-
- Ceramic	2,511	1,521
- Construction	-	1,629
- Property investment	-	-
- Property development	-	-
	2,511	3,150
(Loss)/Profit before taxation		
- Investment holding	(424)	(591)
- Ceramic	180	(803)
- Construction	(2,453)	202
- Property investment	(835)	(21)
- Property development	(1,494)	-
	(5,026)	(1,213)

Revenue in the current quarter decreased by RM0.64 million, representing a decrease of 20% as compared to the preceding quarter mainly due to no revenue derived from the construction segment in the current quarter, as a result of the delays in the existing construction projects in Johor and Kemaman. The construction projects in Johor and Kemaman were terminated subsequent to the end of the current quarter. However, the decrease was offset by the increased revenue of RM0.99 million from ceramic segment mainly contributed by the increase in orders from major customers in the current quarter as compared to the preceding quarter.

The Group's loss before taxation increased by RM3.81 million, representing an increase of 314% as compared to the preceding quarter. The higher loss was mainly due to loss before taxation of RM2.45 million recorded in construction segment, as a result of the waiver of debts owing by a contract customer amounting to RM2.19 million in the current quarter while there was none in the preceding quarter. Meanwhile, the loss in property development segment was mainly due to the professional fee of RM1.40 million incurred for the concept masterplan project in Melaka in the current quarter and the loss in property investment segment was mainly due to the written-off of assets amounting to RM0.81 million in the current quarter while there was none in the preceding quarter.



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19. COMMENTARY ON PROSPECTS

The prospects for SGB Group remain challenging. With regard to its ceramic business, increased competition and entry of new players has resulted in sales and profit reduction. Management has taken steps to develop new strategies and development initiatives.

As countermeasures to the uncertainty of the ceramics market, SGB Group had previously entered into construction business and recently has diversified and expanded its business activities to include property investment and property development to increase its revenue and to complement its existing businesses to bring more value to its shareholders. Whilst we are confident these activities will yield profits, the gestation period of such activities and general economic sentiment is a concern. Within SGB Group’s property development and related businesses, the Group has ventured into property development through the acquisition of KISB in which KISB has secured a development project from Unit Perumahan Penjawat Awam 1 Malaysia. SGB Group has also secured two CMPA whereby SGB Group be given the rights to carry out and complete the concept masterplan on the identified lands in Melaka. The Board is of the view that the service rendered under the CMPA is a complementary service to the property development and the Board is hopeful that this service would widen SGB Group’s stream of revenue source as well as widen the scope of capabilities in the property development business.

Taking cognisance of SGB Group’s challenges and potential, the company and management team are working to improve the financial performance and position by regaining and maintaining its momentum to secure more profitable construction and property development projects.

20. PROFIT FORECAST OR PROFIT GUARANTEE

There was no profit forecast or guarantee made public for the current financial period under review.



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21. TAXATION

The tax expense is as follows:

	Current year quarter ended 30.6.2017 RM'000	Current year-to- date ended 30.6.2017 RM'000
Current tax expense	44	216
Deferred tax expense	(44)	(92)
	<u>-</u>	<u>124</u>

There is no tax expense for the current quarter as the Group was making losses in the current quarter. The effective tax rate of the Group for the current year-to-date is higher than the statutory tax rate principally due to some of the operating expenses were not tax deductible.

22. CORPORATE PROPOSALS

SGB had on 19 April 2016 completed a rights issue of 522,500,000 new irredeemable convertible preference shares (“ICPS”) together with 52,250,000 free detachable warrants and raised total gross proceeds of RM31.35 million to be utilised in the manner set out in the circular to the shareholders of SGB dated 5 February 2016, as approved by the shareholders of SGB at the extraordinary general meeting on 1 March 2016.

On 9 August 2017, the Company announced its intention to vary the utilisation of the proceeds it previously raised from a rights issue of ICPS (“Proposed Variation”).

Save for the abovementioned Proposed Variation, there was no other corporate proposal as at LPD pending for completion.



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23. UTILISATION OF PROCEEDS

Rights issue of ICPS with warrants

Rights issue of ICPS with warrants was completed with the listing of 522,500,000 ICPS together with 52,250,000 warrants on the Main Market of Bursa Securities on 19 April 2016 and the proceeds raised from the rights issue of ICPS with warrants is utilised as follows:-

Description	Proposed /Revised Utilisation RM'000	Actual Utilisation as at 30.6.2017 RM'000	Timeframe for Utilisation	Deviation RM'000	%	Explanation
Southern City Project - Phase 1B	4,000	4,000	-	-	-	
Southern City Project - Phase 2	15,680*	-	Within 30 months	15,680	100.0	^
Construction Project in Johor	8,000*	8,000	-	-	-	
Working capital	2,998#	2,467	Within 18 months	531	17.7	^
Expenses in relation to the Proposals	672#	672	-	-	-	
	31,350	15,139				

Notes:-

* The Company foresaw the delay in Southern City Project – Phase 2 and had re-allocated RM8 million to fund the construction project in Johor in order to reduce its dependence on bank borrowings.

The variation of the actual expenses for the proposals is adjusted against the working capital of the Company.

^ Pending utilisation.



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23. BORROWINGS AND DEBT SECURITIES

The Group’s borrowings are as follows:

	<u>As at 30.6.2017</u> RM'000	<u>As at 30.6.2016</u> RM'000
Current - unsecured		
Hire purchase payables	156	162
Non-current - unsecured		
Hire purchase payables	192	348
	<u>348</u>	<u>510</u>

24. CHANGES IN MATERIAL LITIGATION

The Directors were not aware of any material litigation, which, if enforced, may have a material impact on the profit or net asset value of the Group.

25. PROPOSED DIVIDEND

There were no dividends proposed or declared by the Company for the current financial period under review.



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26. LOSS PER SHARE

(i) Basic loss per share

The basic loss per share of the Group is calculated by dividing the loss attributable to Owners of the Company by the weighted average number of ordinary shares in issue during the reporting period.

	Individual Quarter		Cumulative Period	
	Current year quarter ended 30.6.2017	Preceding year corresponding quarter ended 30.6.2016	Current year-to- date ended 30.6.2017	Preceding year corresponding period ended 30.6.2016
Loss attributable to Owners of the Company (RM'000)	(5,026)	(2,740)	(6,928)	(1,921)
Weighted average number of ordinary shares ('000)	145,819	115,299	138,606	107,185
Basic loss per share (sen)	(3.45)	(2.38)	(5.00)	(1.79)



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27. LOSS PER SHARE (CONT'D)

(ii) Diluted loss per share

The diluted loss per share of the Group is calculated by dividing the loss attributable to Owners of the Company by the weighted average number of ordinary shares in issue during the reporting period which the weighted average number of ordinary shares has been adjusted to assume full conversion of all dilutive potential ordinary shares.

	Individual Quarter		Cumulative Period	
	Current year quarter ended 30.6.2017	Preceding year corresponding quarter ended 30.6.2016	Current year-to- date ended 30.6.2017	Preceding year corresponding period ended 30.6.2016
Loss attributable to Owners of the Company (RM'000)	(5,026)	(2,740)	(6,928)	(1,921)
Weighted average number of ordinary shares ('000)	145,819	115,299	138,606	107,185
Adjustment for assumed conversion of ICPS ('000)	-	-	-	-
Adjustment for assumed conversion of warrants ('000)	-	-	-	-
	<u>145,819</u>	<u>115,299</u>	<u>138,606</u>	<u>107,185</u>
Diluted loss per share (sen)	<u>(3.45)</u>	<u>(2.38)</u>	<u>(5.00)</u>	<u>(1.79)</u>

Note:-

The diluted loss per share for the current quarter and current year-to-end is equal to the basic loss per share as there is anti-dilutive effect arising from the assumed conversion of the ICPS and exercise of warrant.



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27. NOTES TO THE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Current year quarter ended 30.6.2017 RM'000	Current year-to-date ended 30.6.2017 RM'000
Interest income	117	523
Other income	1,200	1,313
Interest expense	5	22
Amortisation	NA	NA
Depreciation of investment properties	11	42
Depreciation of property, plant and equipment	247	989
Impairment loss on other receivable	27	27
Inventories written down	87	87
Reversal of inventories written down	13	59
Deposits written off	5	6
Property, plant and equipment written off	813	1,020
Waiver of debts owing by a contract customer	2,194	2,194
(Loss)/Gain on disposal of plant and equipment	(3)	12
Realised (loss)/gain on foreign exchange	(33)	133
Unrealised (loss)/gain on foreign exchange	(57)	230
Waiver of debts owing to payables	7	15
Gain or loss on derivatives	NA	NA
Exceptional items	NA	NA



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QUARTERLY REPORT FOR THE 4TH QUARTER ENDED 30 JUNE 2017**

**PART B - DISCLOSURE NOTES PURSUANT TO APPENDIX 9B OF MAIN MARKET LISTING
REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD**

28. REALISED AND UNREALISED PROFIT OR LOSSES

The breakdown of the retained profits/(accumulated losses) of the Group as at the end of reporting period into realised and unrealised profits or losses is presented in accordance with the directive issued by Bursa Securities is as follows:-

	As at 30.6.2017 RM'000	As at 30.6.2016 RM'000
Total retained profits/(accumulated losses) of the Group:		
- Realised	13,080	(16,274)
- Unrealised	(2,127)	(2,402)
	<u>10,953</u>	<u>(18,676)</u>
Less: Consolidation Adjustments	(4,142)	(12,345)
	<u>6,811</u>	<u>(31,021)</u>

Dated: 29 August 2017